

**Union Oil Company of California (Alaska)**  
Audit Reply

**TRADING BAY UNIT**

Forest Oil Corp.

Auditor's Reference No.: 05-05-NO

Unocal's Reference No.: 05-03

Period: January 2004 - December 2004

**Exc. # 36 Time Writing - Allocation Basis**Original Claim**\$ 147,837.32**

A detailed review was made of the electronic Alaska Time Writing System's calculation methodology used to arrive at salaried employees' total costs recorded in the "Charge" category. For determining the allocation base (total days to be allocated), various employees reported only their "actual total worked days" which did not include all work days in the month. The method of not reporting all workdays available in the calendar month causes the employees' full monthly salary to be allocated at an inflated daily rate. Schedule XXII summarizes the total amount of the TBU Time Writing over charges by monthly journal voucher that have been caused by those employees that did not account for all workdays.

**Operator's Response:**

See attached discussion &amp; support

*Please see  
ex # 44 of  
2002 audit.*

Audit Exception / Claim	
Granted	Denied
-	147,837.32
<b>Total Of Operator's Response:</b>	<b>\$ - \$ 147,837.32</b>
<b>Balance of Exception Still Pending:</b>	<b>\$ -</b>

(Unless otherwise stated, all amounts are written in Gross W.I. Dollars.)

**CONFIDENTIAL****UNOCAL014497**

Exhibit I  
Page 1 of 1